

**DOCUMENT RESUME**

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**Financial Statements of Alaska Federal Power Program. EMD-77-17; B-188151. February 11, 1977. 1 pp. + enclosures (8 pp.).**

**Report to Secretary, Department of Commerce; by Robert F. Keller, Deputy Comptroller General.**

**Issue Area: Accounting and Financial Reporting (2800).**

**Contact: Energy and Minerals Div.**

**Budget Function: General Government: Central Fiscal Operations (803).**

**Organization Concerned: Department of the Army: Corps of Engineers; Alaska Power Administration.**

**Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Committee on Public Works.**

The statement of assets and liabilities of the Alaska Federal Power Program was examined in accordance with generally accepted auditing standards. The examination included tests of the accounting records of the Alaska Power Administration and the Corps of Engineers District Office. Findings/Conclusions: Total operating revenues for the fiscal year ended June 30, 1976, were \$2,125,000. Operating expenses were \$1,355,000; net operating revenues were \$770,000; the net interest expense was \$2,046,000; and the net revenue was a loss of \$1,276,000. The Program had total assets of \$109,159,000 in 1976. (RRS)

00282



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-188151

The Honorable  
The Secretary of the Interior

FEB 11 1977

Dear Mr. Secretary:

We have examined the Statement of Assets and Liabilities of the Alaska Federal Power Program (see note 1 to the Financial Statements) as of June 30, 1976, and June 30, 1975, and the related Statements of Revenues and Expenses and of Changes in Financial Position for fiscal years 1976 and 1975. Our examination was made in accordance with generally accepted auditing standards and included tests of the accounting records of the Alaska Power Administration, Juneau, Alaska, and the Corps of Engineers District Office in Anchorage, Alaska, and such other auditing procedures as we considered necessary.

In addition, we reviewed pertinent legislation and congressional hearings and reports applicable to the Alaska Power Administration and Corps of Engineers activities in constructing and operating the Alaska Power Administration.

The accompanying financial statements were prepared on a cost-accounting basis which included depreciation. The statements do not present the financial results on a basis designed to show whether power rates are adequate to repay the Federal investment in the program either for the fiscal year or cumulatively. (See note 1 to the financial statements.)

In our opinion the accompanying financial statements (exhibits 1, 2, and 3) present fairly the financial position of the Alaska Federal Power Program at June 30, 1976, and June 30, 1975, the financial results of its power operations, and the changes in financial position for the years then ended, in conformity with accounting principles and standards prescribed by the Comptroller General of the United States.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairman, Federal Power Commission; the Administrator, Alaska Power Administration; and the Chief of Engineers.

Sincerely yours,

DEPUTY Comptroller General  
of the United States

ALASKA POWER ADMINISTRATION  
 FEDERAL POWER PROGRAM  
 STATEMENT OF REVENUES AND EXPENSES  
 FOR THE FISCAL YEARS ENDED JUNE 30, 1976  
 AND JUNE 30, 1975  
 (In thousands)

	<u>Combined total</u>		<u>1976</u>	
	<u>1976</u>	<u>1975</u>	<u>Eklutna</u>	<u>Snettisham</u>
		(Note 2)		
OPERATING REVENUES:				
Sales of electric energy:				
Municipalities	\$ 783	\$ 479	\$ 783	
Rural cooperatives	709	677	634	\$ 75
Privately owned utilities	570			570
Other	<u>7</u>	<u>5</u>	<u>3</u>	<u>4</u>
Total	2,069	1,161	1,420	649
Other operating revenues	<u>56</u>	<u>21</u>	<u>34</u>	<u>22</u>
Total operating revenues	<u>2,125</u>	<u>1,182</u>	<u>1,454</u>	<u>671</u>
OPERATING EXPENSES:				
Operation and maintenance expense:				
Operating expense	660	291	357	303
Maintenance expense	<u>311</u>	<u>146</u>	<u>175</u>	<u>136</u>
Total operation and maintenance expense	971	437	532	439
Depreciation	<u>384</u>	<u>154</u>	<u>164</u>	<u>220</u>
Total operating expenses	<u>1,355</u>	<u>591</u>	<u>696</u>	<u>659</u>
Net operating revenues	<u>770</u>	<u>591</u>	<u>758</u>	<u>12</u>
INTEREST:				
Interest on Federal investment (Note 3)	2,761	2,534	556	2,205
Less interest charged to construction	<u>715</u>	<u>1,981</u>	<u>          </u>	<u>715</u>
Net interest expense	<u>2,046</u>	<u>553</u>	<u>556</u>	<u>1,490</u>
NET REVENUE (LOSS) (Exhibit 2)	<u>\$ (1,276)</u>	<u>\$ 38</u>	<u>\$ 202</u>	<u>\$ (1,478)</u>

"Notes to the Financial Statements" are an integral part of this statement.

ALASKA POWER ADMINISTRATION  
 FEDERAL POWER PROGRAM  
 STATEMENT OF ASSETS AND LIABILITIES  
 AS OF JUNE 30, 1976 AND JUNE 30, 1975  
 (In thousands)

EXHIBIT 2

ASSETS	Combined total		1976		LIABILITIES	Combined total		1976	
	1976	1975	Eklutna	Snettisham		1975	1975	Eklutna	Snettisham
<b>FIXED ASSETS:</b>					<b>PROPRIETARY CAPITAL:</b>				
Completed plant (Note 2)	\$109,834	\$ 32,621	\$32,073	\$77,761	Investment of U.S. Government:				
Less accumulated depreciation	<u>2,482</u>	<u>2,081</u>	<u>2,245</u>	<u>237</u>	Congressional appropriations	\$ 40,940	\$ 39,885	\$39,616	\$ 1,324
	107,352	30,540	29,828	77,524	Interest on Federal				
					Investment (Note 3)	25,864	23,098	15,067	10,797
Construction work in progress	<u>1,411</u>	<u>74,899</u>	<u>1</u>	<u>1,410</u>	Transfers from other Federal				
					agencies, net	<u>65,913</u>	<u>62,906</u>	<u>3,426*</u>	<u>69,339</u>
Total fixed assets	<u>108,763</u>	<u>105,439</u>	<u>29,829</u>	<u>78,934</u>	Gross Federal investment				
					(Note 6)	132,717	125,889	51,257	81,460
					Less funds returned to U.S.				
					Treasury	<u>30,813</u>	<u>28,540</u>	<u>29,915</u>	<u>898</u>
					Net investment of U.S.				
					Government	<u>101,904</u>	<u>97,349</u>	<u>21,342</u>	<u>80,562</u>
					Accumulated net revenues				
					(Note 2):				
					Balance at beginning of year	8,242	6,686	8,242	0
					Net revenues--current year				
					(Exhibit 1)	1,276*	28	702	1,478*
					Prior years adjustment				
					(Note 5)	<u>11*</u>	<u>1,518</u>	<u>11*</u>	<u>0</u>
					Balance at end of year	<u>6,955</u>	<u>8,242</u>	<u>8,433</u>	<u>1,478*</u>
					Total proprietary capital	108,859	105,591	29,775	79,084
<b>CURRENT ASSETS:</b>					<b>CONTINGENCIES (Note 4)</b>				
Unexpended funds	81	82	41	40	<b>CURRENT LIABILITIES:</b>				
Special funds	17	17	17	0	Accounts payable	39	68	16	23
Accounts receivable	206	161	76	130	Employees accrued leave	<u>76</u>	<u>72</u>	<u>55</u>	<u>21</u>
Materials and supplies	4	4	0	4	Total current liabilities	<u>115</u>	<u>140</u>	<u>71</u>	<u>44</u>
Prepayments	<u>5</u>	<u>0</u>	<u>6</u>	<u>1*</u>	<b>OTHER LIABILITIES AND DEFERRED</b>				
					<b>CREDITS</b>	<u>185</u>	<u>258</u>	<u>185</u>	<u>0</u>
Total current assets	<u>313</u>	<u>264</u>	<u>140</u>	<u>173</u>	<b>TOTAL LIABILITIES</b>	<u>\$109,159</u>	<u>\$105,989</u>	<u>\$30,031</u>	<u>\$79,128</u>
<b>OTHER ASSETS AND DEFERRED CHARGES</b>	<u>83</u>	<u>286</u>	<u>62</u>	<u>21</u>					
<b>TOTAL ASSETS</b>	<u>\$109,159</u>	<u>\$105,989</u>	<u>\$30,031</u>	<u>\$79,128</u>					

\* Denotes deduction

"Notes to the Financial Statements" are an integral part of this statement.

ALASKA POWER ADMINISTRATION  
 FEDERAL POWER PROGRAM  
 STATEMENT OF CHANGES IN FINANCIAL POSITION  
 FOR THE FISCAL YEARS ENDING JUNE 30, 1976  
 AND JUNE 30, 1975  
 (In thousands)

	<u>Combined total</u>		<u>1976</u>	
	<u>1976</u>	<u>1975</u>	<u>Eklutna</u>	<u>Sncttisham</u>
<b>FINANCIAL RESOURCES</b>				
<b>PROVIDED FROM:</b>				
<b>Operations:</b>				
Net revenues	\$1,276*	\$ 38	\$ 202	\$1,478*
Expenses not requiring repayment	384	154	164	220
Prior years adjustments (Note 5)	<u>11*</u>	<u>1,518</u>	<u>11*</u>	<u>0</u>
Resources provided from operations	<u>903*</u>	<u>1,710</u>	<u>355</u>	<u>1,258*</u>
<b>Federal investment:</b>				
Congressional appropriations	1,055	601	545	510
Transfers from other Federal agencies, net	3,007	675*	541*	3,548
Interest on Federal investment	<u>2,766</u>	<u>2,609</u>	<u>562</u>	<u>2,204</u>
Resources provided from Federal investment	<u>6,828</u>	<u>2,535</u>	<u>566</u>	<u>6,262</u>
<b>Other resources:</b>				
Decrease in other assets net of other liabilities	<u>130</u>	<u>125*</u>	<u>140</u>	<u>10*</u>
Total resources provided	<u>\$6,055</u>	<u>\$4,120</u>	<u>\$1,061</u>	<u>\$4,994</u>
<b>FINANCIAL RESOURCES USED:</b>				
Investment in electric utility plant and facilities, net	\$3,708	\$3,041	\$ 551*	\$4,259
Funds returned to U.S. Treasury	2,273	1,259	1,584	689
<b>Other uses:</b>				
Increase in current assets net of current liabilities	<u>74</u>	<u>180*</u>	<u>28</u>	<u>46</u>
Total resources used	<u>\$6,055</u>	<u>\$4,120</u>	<u>\$1,061</u>	<u>\$4,994</u>

\* Denotes deduction

"Notes to the Financial Statements" are an integral part of this statement.

ALASKA POWER ADMINISTRATION  
FEDERAL POWER PROGRAM  
EKLUTNA PROJECT  
RECONCILIATION OF COST ACCOUNTING FINANCIAL STATEMENTS  
TO REPAYMENT STUDY FOR THE FISCAL YEAR ENDED JUNE 30, 1976  
(In thousands)

	<u>Cumulative net revenues June 30, 1975</u>	<u>Fiscal year 1976 operations (Exhibit 1)</u>	<u>Prior years adjustments (Note 5)</u>	<u>Cumulative net revenues June 30, 1976</u>	<u>Cumulative adjustment to repayment basis (Note 1)</u>	<u>Cumulative data through June 30, 1976 on repayment study</u>
OPERATING REVENUES	\$30,125	\$1,454	\$ 2*	\$31,577		\$31,577
EXPENSES:						
Operation and maintenance	6,375	532	-	6,907		6,907
Interest expense	12,891	556	5	13,452		13,452
Depreciation expense	<u>2,617</u>	<u>164</u>	<u>4</u>	<u>2,785</u>	\$2,785*	<u>0</u>
Total expenses	<u>21,883</u>	<u>1,252</u>	<u>9</u>	<u>23,144</u>	<u>2,785*</u>	<u>20,359</u>
NET REVENUES (Exhibit 2)	<u>\$ 8,242</u>	<u>\$ 202</u>	<u>\$116</u>	<u>\$ 8,433</u>		
RECONCILIATION TO CUMULATIVE AMORTIZATION				<u>\$ 8,433</u>	<u>\$2,785</u>	11,218
Amount repaid City of Anchorage <sup>1</sup>						1,680*
Net retirements from inception to June 30, 1976						<u>540*</u>
CUMULATIVE AMORTIZATION						<u>\$ 8,998</u>
Completed plant (Exhibit 2)						\$32,073
Less amount being repaid to City of Anchorage <sup>2</sup>						<u>1,842</u>
U.S. Investment						<u>\$30,231</u>
U.S. Investment						\$30,231
Less Amortization						<u>8,998</u>
Unpaid Federal investment						<u>\$21,233</u>

<sup>1</sup> Government acquisition cost of the old Eklutna power plant and water rights is being paid through \$5,900 monthly credit until acquisition cost of \$1,842,000 is paid.

\* Denotes deduction

ALASKA POWER ADMINISTRATION  
 FEDERAL POWER PROGRAM  
 SNETTISHAM PROJECT  
 RECONCILIATION OF COST ACCOUNTING FINANCIAL STATEMENTS  
 TO REPAYMENT STUDY FOR THE FISCAL YEAR ENDED JUNE 30, 1976  
 (In thousands)

	Fiscal year 1976 operations (Exhibit 1)	Cumulative adjustment to repayment basis (Note 1)	Cumulative data through June 30, 1976 on repayment study
OPERATING REVENUES	\$ <u>671</u>		\$ <u>671</u>
EXPENSES:			
Operation and maintenance expense	\$ 439		\$ 439
Interest expense	1,490		1,490
Depreciation	<u>220</u>	\$220*	<u>0</u>
Total expenses	\$2,149	\$220*	\$ 1,929
NET LOSS (Exhibit 2)	<u>\$1,478</u>		
RECONCILIATION TO CUMULATIVE AMORTIZATION	<u>\$1,478*</u>	<u>\$220</u>	\$ 1,258*
Retirements and other			<u>17</u>
NEGATIVE AMORTIZATION			<u>\$ 1,241*</u>
Completed plant (Exhibit 2)			\$77,761
Plus negative amortization			<u>1,241</u>
Unpaid Federal investment			<u>\$79,002</u>

\* Denotes deduction

## Note 1. Major Accounting Considerations

The Alaska Power Administration (APA) is a bureau in the Interior Department. The APA power program includes operation, maintenance, and power marketing for the two Federal hydroelectric projects in Alaska-- the Eklutna Project constructed by the Bureau of Reclamation and the Snettisham Project constructed by the Corps of Engineers.

APA is also responsible for planning programs in Alaskan water and power resource development. The Federal investment in these planning programs attributable to the Snettisham and Eklutna Projects is included in the power program financial statements. However, the statements exclude a Federal investment of \$8.9 million, representing funds spent on other planning programs and studies of potential future projects.

The financial statements are prepared on a cost accounting basis, including compound interest depreciation and interest on the unamortized Federal investment.

APA's wholesale power rates are established by using separate repayment analyses for each project because they are not electrically interconnected. The major difference between the financial statements and the historical data on the repayment study is the treatment of fixed assets and amortization.

In the accompanying statements, the depreciation life for fixed assets is about 87 years for the Eklutna Project and 75 years for the Snettisham Project. The power rates in effect at the close of fiscal year 1976 were based upon a 50-year repayment period as specified by the Secretary of the Interior for Eklutna.

Snettisham wholesale power rates were established in 1973 based on the estimated completion cost of the project. These rates will be adjusted to reflect the new repayment criteria, including a 60-year repayment period, in the Water Resources Development Act of 1976.

The latest Snettisham repayment study does not include the costs for the authorized Crater Lake Project stage which may be constructed and energized by the mid-1980's.

Schedules A and B provide a reconciliation between the accompanying cost statements and cumulative totals shown in the first line of the separate repayment analyses.

#### Note 2. Comparative Figures

The Snettisham Project went into commercial service on October 28, 1975. Therefore, the comparative figures for fiscal year 1975 only include revenue and expenses for the Eklutna Project.

#### Note 3. Interest Rates

Authorizing legislation for Snettisham and Eklutna Projects requires 3 percent and 2 1/2 percent interest rates respectively be applied to the net investment of the U.S. Government. This legislation does not permit modification of the interest rate to reflect the actual cost to the U.S. Treasury at the time of construction.

#### Note 4. Contingent Liabilities

Contingent liabilities total approximately \$.5 million of contractor claims against the Corps of Engineers at the Snettisham Project.

Note 5. Adjustments to Accumulated Net Revenues

The following table lists the prior years' adjustments added to accumulated net revenues as shown on Exhibit 2.

	Fiscal year <u>1976</u>	Fiscal year <u>1975</u>
	(in thousands)	
1. Unrecorded Sales	\$( 2)	a/\$ 189
2. Earthquake Loss Reversal		
--Property Loss	-0-	b/ 834
--Operation and Maintenance Expense	-0-	b/ 516
--Interest on the Federal Investment	( 5)	-0-
--Depreciation Expense	( 4)	-0-
3. Imputed Rent	-0-	(14)
4. Additional Overhead Expense	<u>-0-</u>	<u>( 7)</u>
Net Increase (Decrease)	<u>\$ (11)</u>	<u>\$1,518</u>

a/ The adjustment reflects a metering multiplier error on power delivered to Eklutna Project customers. Because of the error, customer bills during October 1971 through December 1974 did not reflect total amount of power delivered. The customers are reimbursing the Federal Government for the power received but not recorded in the original billings.

b/ Adjustment reverses property loss and operation and maintenance expense associated with earthquake damage at the Eklutna Project. These losses and expenses were made nonreimbursable by P.L. 90-523.

Note 6. Nonreimbursable Costs

The U.S. Congress has declared certain costs at each project to be nonreimbursable. At the Snettisham Project an estimated \$11.0 million of the replacement and relocation costs for the transmission line over Salisbury Ridge were declared nonreimbursable by the Water Resources Development Act of 1976. These costs are excluded from the construction work in progress and the congressional appropriations shown on the financial statements.

At the Eklutna Project the costs of rehabilitating the dam from damage caused by the earthquake of March 27, 1964, were declared nonreimbursable and nonreturnable up to \$2.8 million by P.L. 90-523. Some of the nonreimbursable costs are included in prior years' adjustments. See Note 5.